

ELECTRONIC MAIL

March 11, 1996

TO: ALL REGION BUSINESS MANAGERS:

RE: Issues and Responses From Our Training/Meeting Seminar in
Winston-Salem the Week of February 19, 1996

DISCUSSION WITH JIM MAGUIRE

2/21/96

1. ISSUE

Need a laptop computer with more "horse power"

RESPONSE

All RBMs will receive a new laptop computer (755CSE configuration with 810 meg hard drive and 16 meg of memory - 8 meg upgrade card).

- The new laptop (755CSE) will be shipped to all RBMs the week of March 18, 1996.
- Upon receipt of your new laptop, you must transfer your data from your existing laptop (755C) to your new laptop (755CSE) . The data transfer may be handled as follows:
 - Back up all files to diskettes.
(PROCEDURES FOR BACK UP FILES WILL BE INCLUDED IN THE SHIPMENT/PACKAGING OF NEW LAPTOPS.)
- Upon transfer of data, please immediately ship your "old" laptop (755C) to Winston-Salem. These machines will be redeployed to all military managers. Ship laptop computers via overnight to the following address:

Field Sales Computer Depot
R. J. Reynolds Tobacco Company
Building 50-1, 6th and Church Streets
Winston-Salem, N.C. 27102
Attn: Dave R. Hawkes, phone (910)741-7701

(Return address label (above) will be included in the shipment/packaging of new laptops.)

2. ISSUE/QUESTION

Allocations - Where are they used, i.e., cigarette outlets and logistics, i.e., indicators?

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RESPONSE

- We are organizing a task force (first task force meeting is 3/11-12) comprised of field sales and internal personnel to identify and address the various issues for the long term - long term is defined as August 1996 and beyond.
- In the short term we must continue to communicate and work the issues.
 - Do not rebuild indicators...etc. The partner promotions, national promotions and DPC promotions will be guided by our partner program strategies.

3. ISSUES/QUESTIONS

System Enhancements

- Who sets priorities?
- Need ability to separate AIM/spending data to include SR and RR levels.

RESPONSE

Richard Cross is responsible for setting priorities with Information Resources.

AIM/spending data separated at SR/RR levels?

We are currently working with MSA to warehouse and maintain our AIM data. Richard Cross will keep you apprised of all updates and enhancements when available.

4. ISSUE/QUESTION

Region Goals

- Where are we in establishing these goals?

RESPONSE

When our 1996 SIAP/AIAP programs are final, we will advise of Regional goals - anticipated to be completed during March 1996.

5. ISSUE/QUESTION

Is the equity building on DORAL working?

RESPONSE

Yes (attached is Cliff Pennell's letter dated February 22 addressing this question and the complete presentation has been sent to you via U. S. Mail)

6. ISSUES/QUESTION

Pricing strategy as it relates to PM's Basic B2G1F promotion.

RESPONSE

Refer to FSC-32-A dated February 22, 1996 and FSC-36-A dated February 27, 1996.

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DISCUSSION WITH CHARLIE DAVIS

2/21/96

1. ISSUE/QUESTION

Can we continue to use consumer pricing dollars (Ceiling Strategy) on BEST VALUE versus our current strategy of all dollars spent must be under an EDLP contract?

RESPONSE

Our 1996 Strategy on BEST VALUE will remain unchanged. That is:

- Sign EDLP contracts
- Effective April 1, 1996 (Jan. - March transition period), no dollars should be spent against BEST VALUE unless an EDLP contract is in place.

Exception

Any deviation from this strategy must be submitted in writing with supporting rationale and approved by your AVP and Savings BU. (i.e., Mike McClure's situation)

It should be understood that exceptions should be limited.

2. ISSUE - MONARCH

Our strategy on MONARCH is to maximize the EDLP contract approach where it makes good business sense.

Consumer Pricing dollars ("Ceiling Strategy") remain in place throughout 1996 where EDLP contracts have not been signed.

As a reminder, all EDLP contracts for both MONARCH and BEST VALUE will be funded from your consumer pricing budgets and do not fold up under Forsyth's budget.

(See attachment on MONARCH and BEST VALUE)

3. ISSUE/QUESTION

DORAL priority regions have \$90,000 allocated to them for Direct Marketing use.

Utilizing carton coupons only and no pack coupons has surfaced the concern that...

- *We will not be able to use all the dollars allocated (certain regions).*
- *Can we use the dollars for other DORAL business building opportunities in the region?*

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RESPONSE

K. Wadia and Jacquie McLaurin will be contacting each of you to ensure all possible uses of the various Direct Marketing programs we have are maximized before we change our objective on these dollars.

Bottom line, no change at this time. If after your discussion with K. and Jacquie, you still feel you can not effectively use these dollars on Direct Marketing with your chains to grow DORAL and you wish to discuss further, call Charlie Davis (ext. 3315).

4. ISSUE/QUESTION

When implementing our mega carton outlet promotion on Full Price, the funding comes from GAP dollars. However, do I use the exact "GAP amount" when discounting, or can this promotion be more offensive with the discount amount?

RESPONSE

Funding does come from the GAP dollars to execute your Full Price mega carton promotions. However, the value you discount can be more offensive based on region guidelines, but should not exceed \$3.00/carton. (only these mega outlet promotions, e.g., 300 + carton promotions)

5. ISSUE/QUESTION

Can we get "sniped" DORAL product stating "Special Offer" for Indian Reservation calls to reduce the potential "double dipping" when buying down off invoice? (Buffalo & Seattle Regions)

RESPONSE

We will proceed with manufacturing, CDC and Traffic once Tom Hartman and F. V. Natale submit their proposal to Charlie Davis and Steve Zitta.

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6. STATEMENT

***DORAL Towers and Counter Units for May are Great!
Sell'em and Place'em!***

NOTE: As a reminder, during your training in Winston-Salem, I requested your support in training DM's on the Category Professional Tool Kit applications. All DM's have the tool kit applications on their laptops; however, DM's were not trained on the use of these applications. Please strive to complete by April 1996. DM's will in turn help us determine the appropriate tools needed for Sales Rep computers - down the road. Thanks again for your support!

Thank you for a productive and informative week!

Sincerely,

Bill Roth

W. J. Roth
Sales/Marketing Training
WJR:25:lc

Attachment

Copy to: Jim Maguire
AVPs
AMOs
Denny Bomgardner
C. A. Coyle
Richard Cross

Charlie Davis
Jim Farmer
Sankey Moore-Painter
Frank Petto
Steve Zitta
Barbara Peason (new RBM)

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1996 SAVINGS STRATEGY**MONARCH**☐ **Two pronged approach**1. **#1 Priority**

- **Sign EDLP Contracts \$1.50-\$2.60**
 - Must ensure we do not disrupt market pricing
 - Focus on smaller chains where a Private Label does not make sense
 - Accounts must be Level II or Level III merchandising partners
 - EDLP contracts must be approved by AVP and Savings BU
 - Approved list must be maintained, on-going

2. **#2 Priority**

- **Implement ceiling strategy in developed markets/accounts**
 - Focus on implementing strategy; monitor not manage budget.

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1996 SAVINGS STRATEGY**BEST VALUE**

- **Single focus on signing EDLP contracts \$1.50 - \$2.60**
 - No "Ceiling Strategy" focus; EDLP contracts or no support
 - Accounts must be Level II or Level III merchandising partners
 - Must manage budget with EDLP contracts
 - EDLP contracts must be approved by AVP and Savings BU
 - Approved list must be maintained, ongoing

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